

225

ORIGINAL



0000020181

Frank J. Grimmelmann  
42441 N. Cross Timbers Court  
Anthem, AZ 85086  
Anthem Resident

Chairman, Anthem Country Club Homeowners Association, Inc. Finance Committee

RECEIVED

2003 DEC -4 A 9:12

ARIZONA CORPORATION COMMISSION  
DOCUMENT CONTROL

**BEFORE THE ARIZONA CORPORATION COMMISSION**

**COMMISSIONERS**

MARC SPITZER - CHAIRMAN  
WILLIAM A. MUNDELL  
JEFF HATCH-MILLER  
MIKE GLEASON  
KRISTIN K. MAYES

Arizona Corporation Commission

**DOCKETED**

DEC - 4 2003



IN THE MATTER OF THE APPLICATION OF  
ARIZONA-AMERICAN WATER COMPANY,  
INC., AN ARIZONA CORPORATION, FOR A  
DETERMINATION OF THE CURRENT FAIR  
VALUE OF ITS UTILITY PLANT AND  
PROPERTY AND FOR INCREASES IN ITS  
RATES AND CHARGES BASED THEREON  
FOR UTILITY SERVICE BY ITS SUN CITY  
WEST WATER AND WASTEWATER  
DISTRICTS.

Docket No. WS-01303A-02-0867

IN THE MATTER OF THE APPLICATION OF  
ARIZONA-AMERICAN WATER COMPANY,  
INC., AN ARIZONA CORPORATION, FOR A  
DETERMINATION OF THE CURRENT FAIR  
VALUE OF ITS UTILITY PLANT AND  
PROPERTY AND FOR INCREASES IN ITS  
RATES AND CHARGES BASED THEREON  
FOR UTILITY SERVICE BY ITS SUN CITY  
WATER AND WASTEWATER DISTRICTS.

Docket No. WS-01303A-02-0868

IN THE MATTER OF THE APPLICATION OF  
ARIZONA-AMERICAN WATER COMPANY,  
INC., AN ARIZONA CORPORATION, FOR A  
DETERMINATION OF THE CURRENT FAIR  
VALUE OF ITS UTILITY PLANT AND  
PROPERTY AND FOR INCREASES IN ITS  
RATES AND CHARGES BASED THEREON  
FOR UTILITY SERVICE BY ITS MOHAVE  
WATER DISTRICT AND ITS HAVASU WATER  
DISTRICT.

Docket No. WS-01303A-02-0869

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS AGUA FRIA WATER DISTRICT AND ITS ANTHEM / AGUA FRIA WASTEWATER DISTRICT.

Docket No. WS-01303A-02-0870

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS TUBAC WATER DISTRICT.

Docket No. W-01303A-02-0908

## **NOTICE OF FILING**

### **SUMMARY OF TESTIMONY OF FRANK J. GRIMMELMANN**

**Frank J. Grimmelmann**

**Anthem Resident &**

**Chairman Finance Committee, Anthem Country Club Homeowners Association, Inc.**

The following is a summary of the significant issues set forth in the surrebuttal testimony of Frank J. Grimmelmann as an Intervenor in the proceeding on Arizona-American Water Company, Inc.'s ("AZAWC") application requesting a permanent rate increase in the company's water and waste water operations serving the residents of Anthem, Arizona, among other jurisdictions. A full discussion of various key issues associated with AZAWC's rate increase request and a theory and rationale supporting both Staff and RUCO's recommendations are contained in Mr. Grimmelmann's surrebuttal written testimony that will be formally introduced into testimony with a verbal summary during the proceeding. The significant issues in this case and the supporting testimony will address the following:

Quality of Service—The public comments at Anthem that drew in excess of an estimated 1,000 people, with 80 some odd cars turned away, emphasized problems with the quality

of the water, the quality of customer service and billing, and an overall degradation in service quality at a time when AZAWC seeks a rate increase.

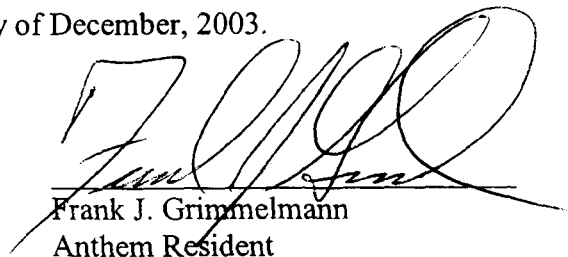
Support for Staff and RUCOs' Recommendations—A year ago, a petition from over 1,200 Anthem residents requested Staff, RUCO and the Commission to strongly review AZAWC's request for a 32.45% increase in Anthem's combined water and sewer rates that were already the highest rates of any of the water districts under application. Staff and RUCO have delivered on that request and their findings are now public. We urge the Commissioners to give serious consideration to Staff and RUCO's findings, observations and recommendations in arriving at their final decision for the benefit of the consumers, and the provision of a fair and equitable rate of return to AZAWC.

Support for Staff and RUCOs' Recommended Adjustments—We recognize legitimate differences in the Cost of Anthem water due to a variety of factors outlined in my surrebuttal testimony. However, AZAWC's proposed increase in the rate for Anthem is almost three times the rate of inflation during the period under review, over a base which Staff and RUCO have independently concluded is already too high. This is supported and evidenced by both Staff and RUCO's recommended adjustments that if adopted result in a proposed decrease in Anthem's combined rates for sewer and water. Upon reviewing the evidence objectively, we as a community support the recommended adjustments and urge the Commission to either reject the application or apply the findings of staff to reduce the rate base for the reasons set forth in my surrebuttal testimony. Staff and RUCO's individual analyses once again support the application of well documented adjustments to the application based on acceptable and supportable methodologies applied in the State of Arizona.

Considerations on the Appropriate Rate of Return—Staff and RUCO's foundation for a fair and equitable Rate of Return based on the application of the Capital Asset Pricing Model ("CAPM") is the accepted foundation for our market mechanisms and the pragmatic operation of the capital markets provides a fair and adequate rate of return for AZAWC in determining rates. The required rate of return required to attract investors and necessary capital during a period of low inflation is substantially lower than that requested by AZAWC. While my surrebuttal testimony provides an economic foundation for these conclusions, Staff and RUCO have more than adequately supported there conclusions in there direct and surrebuttal testimony. Therefore, we support the rate of return recommended by Staff and RUCO and the corresponding reduction of the rates to Anthem, assuming that the Commission does not deny the AZAWC application.

Recommended Action In View of these Facts--Granting any increase rewards AZAWC unfairly, particularly in view of their quality of service to the Anthem community and the conclusions in Staff and RUCO's independent analyses. We urge the Commission to consider and support Staff and RUCO's recommendations in rendering its final decision on our community's rates. This action provides a vote of confidence for your constituents in Anthem, while providing a fair and equitable rate of return based on accepted methodologies in the State of Arizona.

RESPECTFULLY SUBMITTED this 4<sup>th</sup> day of December, 2003.

A handwritten signature in black ink, appearing to read "Frank J. Grimmelmann", written over a horizontal line.

Frank J. Grimmelmann  
Anthem Resident  
Chairman, Anthem Country Club Homeowners  
Association, Inc. Finance Committee

AN ORIGINAL AND TWENTY-ONE COPIES  
of the foregoing filed this 4<sup>th</sup> day  
of December 2003 with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

COPIES of the foregoing hand-delivered/  
mailed this 4<sup>th</sup> day of December 2003 to:

Teena Wolfe  
Administrative Law Judge  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

Tim Sabo, Staff Attorney  
Legal Division  
Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

William P. Sullivan  
Paul R. Michaud  
Paula A. Williams  
Martinez & Curtis  
2712 North 7th Street  
Phoenix, Arizona 85006

Carlton G. Young  
3203 West Steinbeck Drive  
Anthem, Arizona 85068

Jay L. Shapiro  
Daniel Pozefsky  
Fennemore Craig  
3003 North Central Avenue, Suite 2600  
Phoenix, AZ 85012-2913

RUCO  
1110 W. Washington, Ste. 220  
Phoenix, Arizona 85007

Walter W. Meek  
AUIA  
2100 N. Central Avenue, Suite 210  
Phoenix, Arizona 85004

John A. Boric  
Warner Angle Hallam Jackson & Formanek,  
PLC  
3550 North Central Avenue, Ste. 1500  
Phoenix, Arizona 85012  
Attorneys for Fiesta RV Resort LP

Raymond E. Dare  
Sun City Taxpayers' Association  
12611 N. 103rd Avenue, Suite D  
Sun City, Arizona 85351-3467

  
By: Frank J. Grimmelmann